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TOP SECRET

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GENERAL

1. Reber's views on Austrian treaty--US Representative Reber in London reports no real progress in the Austrian treaty talks during the past week because the Soviet representative continues to insist that the wording of the Paris communique be adhered to rigidly and that Soviet proposals be accepted as presented. Reber believes that if the Soviet stand is not relaxed, it will soon be necessary for the western powers to present their minimum treaty requirements and thus indicate the point at which the treaty will require further consideration by the Foreign Ministers. Reber suggests that while it is important to delimit the area of Soviet control in Austria, additional treaty provisions having this effect can be obtained only by granting new concessions to the USSR. Reber feels it is more material for the US to determine how Austria is to meet its payments obligations to the USSR than to discuss the consequences of Austrian default. Reber concludes, therefore, that solution of the payments problem, as well as the early establishment of an effective Austrian army, would obviate many difficulties in regard to the wording of the treaty. Meanwhile, the Department of State has asked US Embassy London to approach the British and French regarding the formulation of a common policy toward Austria after conclusion of the treaty.

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EUROPE

2. GERMANY: US position on location of new capital--The Department of State has advised US Military Governor McCloy in Berlin that the question of the location of the west German capital is a matter for the Germans to decide and that McCloy should maintain an attitude of strict neutrality. The Department does not consider it necessary to "counterbalance" British efforts to influence the Germans toward establishing the capital at Bonn.

State Dept., OSD reviews completed

CONFIDENTIAL

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